

Union Calendar No. 77

107TH CONGRESS
1ST SESSION

H. R. 1140

[Report No. 107–82, Part I]

To modernize the financing of the railroad retirement system and to provide enhanced benefits to employees and beneficiaries.

IN THE HOUSE OF REPRESENTATIVES

MARCH 21, 2001

Mr. YOUNG of Alaska (for himself, Mr. OBERSTAR, Mr. QUINN, and Mr. CLEMENT) introduced the following bill; which was referred to the Committee on Transportation and Infrastructure, and in addition to the Committee on Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

MAY 24, 2001

Reported from the Committee on Transportation and Infrastructure with an amendment

[Strike out all after the enacting clause and insert the part printed in *italic*]

MAY 24, 2001

Referral to the Committee on Ways and Means extended for a period ending not later than July 12, 2001

JULY 12, 2001

Additional sponsors: Mr. WELLER, Mr. VISCLOSKEY, Mr. BACHUS, Ms. HOOLEY of Oregon, Mr. WHITFIELD, Mr. SKELTON, Mr. LATOURETTE, Mr. CONYERS, Ms. HART, Mr. ISRAEL, Mr. GREEN of Wisconsin, Ms. BROWN of Florida, Mr. NETHERCUTT, Ms. MCCOLLUM, Mr. TERRY, Mr. RAHALL, Mr. BLUNT, Mr. CUMMINGS, Mr. BEREUTER, Mr. DEFazio, Mr. WALDEN of Oregon, Mrs. TAUSCHER, Mr. FLETCHER, Ms. EDDIE BERNICE JOHNSON of Texas, Mr. GILLMOR, Mr. LIPINSKI, Mr. COLLINS, Mr. BERRY, Mr. PLATTS, Mr. MURTHA, Mr. PETERSON of Pennsylvania, Mr. BLAGOJEVICH, Mr. FERGUSON, Mr. JACKSON of Illinois, Mr. ISTOOK, Mr. DOYLE, Mr. BAKER, Mr. HOLDEN, Mr. EHLERS, Mr. BORSKI, Mr. SIMPSON, Mr. COSTELLO, Mr. COOKSEY, Mr. BALDACCI, Mr.

POMBO, Mr. BARCIA, Mr. TOM DAVIS of Virginia, Mr. ANDREWS, Mr. MORAN of Kansas, Ms. ROYBAL-ALLARD, Mr. SMITH of New Jersey, Ms. VELÁZQUEZ, Mr. SWEENEY, Mr. RANGEL, Mr. SIMMONS, Mr. MATSUI, Mr. JOHNSON of Illinois, Ms. KAPTUR, Mr. PETRI, Mr. KANJORSKI, Mr. FOLEY, Ms. KILPATRICK, Mr. ISAKSON, Mr. LUTHER, Ms. PRYCE of Ohio, Mr. MENENDEZ, Mr. SHIMKUS, Mr. LARSEN of Washington, Mr. DUNCAN, Mr. MASCARA, Mr. McNULTY, Mr. EHRLICH, Mr. NADLER, Mr. HAYES, Ms. DELAURO, Mr. KING, Mr. BONIOR, Mr. GILCHREST, Mr. UDALL of New Mexico, Mr. DOOLITTLE, Mr. PAYNE, Mr. WATKINS, Ms. BERKLEY, Mr. TAUZIN, Mr. KLECZKA, Mr. TIAHRT, Mr. RUSH, Mr. BOEHNER, Mr. UDALL of Colorado, Mrs. ROUKEMA, Mr. BLUMENAUER, Mr. LATHAM, Mr. HOYER, Mr. BARTLETT of Maryland, Mr. PETERSON of Minnesota, Mr. SEXTON, Mr. HOFFMAN, Mr. HORN, Mr. TURNER, Mrs. KELLY, Mr. MATHESON, Mr. BOEHLERT, Mr. CARSON of Oklahoma, Mr. WATTS of Oklahoma, Mr. FROST, Mrs. EMERSON, Mr. SANDLIN, Mr. LAHOOD, Mr. MEEKS of New York, Mr. LEACH, Mr. WYNN, Mr. GRUCCI, Mrs. CLAYTON, Mr. UPTON, Mr. DELAHUNT, Mr. LOBIONDO, Mr. SHOWS, Mr. MICA, Mrs. JONES of Ohio, Mrs. CAPITO, Mr. TIERNEY, Mr. CRENSHAW, Mr. CARDIN, Mr. GILMAN, Ms. MCKINNEY, Mr. HUTCHINSON, Mr. PASTOR, Mr. GOODE, Mr. SANDERS, Mrs. JO ANN DAVIS of Virginia, Mr. GEPHARDT, Mr. OTTER, Ms. DEGETTE, Mr. GOODLATTE, Mr. BOSWELL, Mr. BURR of North Carolina, Ms. NORTON, Mrs. MYRICK, Mr. SNYDER, Mr. ENGLISH, Mrs. MEEK of Florida, Mr. GANSKE, Mr. DINGELL, Mr. THUNE, Mrs. MCCARTHY of New York, Mr. HASTINGS of Washington, Mr. TRAFICANT, Mr. WALSH, Mr. MOLLOHAN, Mr. NEY, Mr. REYES, Mr. KILDEE, Mr. WELDON of Pennsylvania, Mr. MCGOVERN, Mr. BONILLA, Mrs. NAPOLITANO, Mr. MCHUGH, Mrs. THURMAN, Mr. OSBORNE, Mr. CLAY, Mr. KERNS, Mr. ETHERIDGE, Mrs. MORELLA, Mr. PALLONE, Mr. LEWIS of Kentucky, Mr. BOUCHER, Mr. WICKER, Mr. LUCAS of Oklahoma, Mr. WOLF, Mr. HINCHEY, Mr. SESSIONS, Mr. INSLEE, Mr. CHAMBLISS, Mr. ROSS, Mr. SHERWOOD, Mrs. MALONEY of New York, Mr. NORWOOD, Mr. WU, Ms. DUNN, Mr. OWENS, Mr. CAMP, Mr. KIND, Mr. HYDE, Mr. MOORE, Mr. JONES of North Carolina, Mr. BENTSEN, Mr. JENKINS, Mr. DICKS, Mr. GUTKNECHT, Mr. ABERCROMBIE, Mr. CALLAHAN, Mr. MORAN of Virginia, Mr. SKEEN, Ms. SCHAKOWSKY, Mr. CASTLE, Mr. LAFALCE, Mr. BASS, Mr. SCOTT, Mr. LINDER, Ms. JACKSON-LEE of Texas, Mr. GRAHAM, Mr. PHELPS, Mrs. CUBIN, Mr. TOWNS, Mr. ROGERS of Kentucky, Mr. LEWIS of Georgia, Mr. AKIN, Mr. SABO, Mr. GEKAS, Mr. EDWARDS, Mr. OXLEY, Ms. BALDWIN, Mr. KELLER, Mr. GONZALEZ, Mr. HULSHOF, Mr. JEFFERSON, Mr. GIBBONS, Mr. BAIRD, Mr. ROEMER, Mr. THOMPSON of Mississippi, Mr. GUTIERREZ, Mr. FILNER, Mr. HASTINGS of Florida, Mr. GREEN of Texas, Mr. CONDIT, Mr. LAMPSON, Mr. JOHN, Mr. LANTOS, Mr. BROWN of Ohio, Mr. HOLT, Mr. MOAKLEY, Mr. BRADY of Pennsylvania, Mr. RODRIGUEZ, Mr. DAVIS of Florida, Mr. STARK, Mr. LUCAS of Kentucky, Mr. WATT of North Carolina, Mr. EVANS, Ms. LEE, Mrs. MINK of Hawaii, Mr. BISHOP, Mr. COYNE, Mr. SPRATT, Mr. THOMPSON of California, Mr. GEORGE MILLER of California, Mr. STRICKLAND, Mr. STUPAK, Mr. KENNEDY of Rhode Island, Ms. CARSON of Indiana, Mr. BACA, Mr. HILLIARD, Mr. OLVER, Mr. HILL, Mr. McDERMOTT, Mr. FRANK, Mr. BERMAN, Ms. SLAUGHTER, Mr. CLYBURN, Mr. LANGEVIN,

Mr. KUCINICH, Mr. BECERRA, Mr. MARKEY, Mr. CROWLEY, Mr. WEINER, Mr. SAWYER, Mr. DEUTSCH, Mr. PRICE of North Carolina, Mr. CAPUANO, Mr. FORD, Mr. MCINTYRE, Mr. ROTHMAN, Mr. ENGEL, Mr. PASCRELL, Mr. ORTIZ, Mr. COMBEST, Mr. BARTON of Texas, Mr. KENNEDY of Minnesota, Mr. GALLEGLY, Mr. REHBERG, Mrs. BONO, Mr. MANZULLO, Mr. BURTON of Indiana, Mr. ROGERS of Michigan, Mr. PORTMAN, Mr. RAMSTAD, Mr. PICKERING, Mr. SCHROCK, Mr. PUTNAM, Mr. COBLE, Mr. STUMP, Mr. TIBERI, Ms. GRANGER, Mr. HANSEN, Mr. MCINNIS, Mr. WEXLER, Mr. TANNER, Mr. GORDON, Mr. ACKERMAN, Mr. BOYD, Mr. DAVIS of Illinois, Mrs. CAPPs, Ms. MCCARTHY of Missouri, Ms. PELOSI, Mr. CRAMER, Ms. RIVERS, Mr. SCHIFF, Mr. WAXMAN, Ms. WOOLSEY, Mr. LEVIN, Mr. HONDA, Mr. SMITH of Washington, Mr. HALL of Ohio, Ms. LOFGREN, Mr. SERRANO, Mr. DEAL of Georgia, Mr. ADERHOLT, Mr. KIRK, Mr. RILEY, Ms. ROS-LEHTINEN, Mr. GRAVES, Mr. ALLEN, Mr. HINOJOSA, Mr. NEAL of Massachusetts, Ms. MILLENDER-MCDONALD, Mr. POMEROY, Mr. FATTAH, Ms. SANCHEZ, Mr. BARR of Georgia, Mr. VITTER, Mrs. NORTHUP, Mr. DIAZ-BALART, Mr. CANTOR, Mrs. JOHNSON of Connecticut, Mr. CANNON, Mr. SHERMAN, Mr. LARSON of Connecticut, Mr. DOGGETT, Mr. MEEHAN, Mr. HOBSON, Mr. HOSTETTLER, Mr. OSE, Mr. ISSA, Mr. DOOLEY of California, Ms. SOLIS, Ms. HARMAN, Mr. BROWN of South Carolina, Mr. RADANOVICH, Mr. SOUDER, Mr. SPENCE, Mr. BRADY of Texas, Mr. MCCRERY, Mr. BARRETT, Mr. CALVERT, Mr. SHUSTER, Mr. GREENWOOD, Mr. MALONEY of Connecticut, Mrs. LOWEY, Mr. OBEY, Mr. EVERETT, Mr. TAYLOR of North Carolina, Mrs. BIGGERT, Mr. BUYER, Mr. HALL of Texas, Mr. CULBERSON, and Mrs. DAVIS of California

JULY 12, 2001

The Committee on Ways and Means discharged; committed to the Committee of the Whole House on the State of the Union and ordered to be printed

[For text of introduced bill, see copy of bill as introduced on March 21, 2001]

A BILL

To modernize the financing of the railroad retirement system and to provide enhanced benefits to employees and beneficiaries.

1 *Be it enacted by the Senate and House of Representa-*
 2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

2 (a) *SHORT TITLE.*—*This Act may be cited as the*
 3 *“Railroad Retirement and Survivors’ Improvement Act of*
 4 *2001”.*

5 (b) *TABLE OF CONTENTS.*—*The table of contents for*
 6 *this Act is as follows:*

Sec. 1. Short title; table of contents.

TITLE I—AMENDMENTS TO RAILROAD RETIREMENT ACT OF 1974

Sec. 101. Expansion of widow’s and widower’s benefits.

Sec. 102. Retirement age restoration.

Sec. 103. Vesting requirement.

Sec. 104. Repeal of railroad retirement maximum.

Sec. 105. Investment of railroad retirement assets.

Sec. 106. Elimination of supplemental annuity account.

Sec. 107. Transfer authority revisions.

Sec. 108. Annual ratio projections and certifications by the Railroad Retirement Board.

TITLE II—AMENDMENTS TO THE INTERNAL REVENUE CODE OF 1986

Sec. 201. Amendments to the Internal Revenue Code of 1986.

Sec. 202. Exemption from tax for Railroad Retirement Investment Trust.

Sec. 203. Repeal of supplemental annuity tax.

Sec. 204. Employer, employee representative, and employee tier 2 tax rate adjustments.

7 **TITLE I—AMENDMENTS TO RAIL-**
 8 **ROAD RETIREMENT ACT OF**
 9 **1974**

10 **SEC. 101. EXPANSION OF WIDOW’S AND WIDOWER’S BENE-**
 11 **FITS.**

12 (a) *IN GENERAL.*—*Section 4(g) of the Railroad Retire-*
 13 *ment Act of 1974 (45 U.S.C. 231c(g)) is amended by adding*
 14 *at the end the following new subdivision:*

15 “(10)(i) *If for any month the unreduced annuity pro-*
 16 *vided under this section for a widow or widower is less than*

1 *the widow's or widower's initial minimum amount com-*
 2 *puted pursuant to paragraph (ii) of this subdivision, the*
 3 *unreduced annuity shall be increased to that initial min-*
 4 *imum amount. For the purposes of this subdivision, the un-*
 5 *reduced annuity is the annuity without regard to any de-*
 6 *duction on account of work, without regard to any reduc-*
 7 *tion for entitlement to an annuity under section 2(a)(1)*
 8 *of this Act, without regard to any reduction for entitlement*
 9 *to a benefit under title II of the Social Security Act, and*
 10 *without regard to any reduction for entitlement to a public*
 11 *service pension pursuant to section 202(e)(7), 202(f)(2), or*
 12 *202(g)(4) of the Social Security Act.*

13 “(ii) *For the purposes of this subdivision, the widow*
 14 *or widower's initial minimum amount is the amount of the*
 15 *unreduced annuity computed at the time an annuity is*
 16 *awarded to that widow or widower, except that—*

17 “(A) *in subsection (g)(1)(i) ‘100 per centum’*
 18 *shall be substituted for ‘50 per centum’; and*

19 “(B) *in subsection (g)(2)(ii) ‘130 per centum’*
 20 *shall be substituted for ‘80 per centum’ both places it*
 21 *appears.*

22 “(iii) *If a widow or widower who was previously enti-*
 23 *tled to a widow's or widower's annuity under section*
 24 *2(d)(1)(ii) of this Act becomes entitled to a widow's or wid-*
 25 *ower's annuity under section 2(d)(1)(i) of this Act, a new*

1 *initial minimum amount shall be computed at the time of*
 2 *award of the widow's or widower's annuity under section*
 3 *2(d)(1)(i) of this Act.''.*

4 *(b) EFFECTIVE DATE.—*

5 *(1) IN GENERAL.—The amendment made by this*
 6 *section shall take effect on the first day of the first*
 7 *month that begins more than 30 days after enact-*
 8 *ment, and shall apply to annuity amounts accruing*
 9 *for months after the effective date in the case of annu-*
 10 *ities awarded—*

11 *(A) on or after that date; and*

12 *(B) before that date, but only if the annuity*
 13 *amount under section 4(g) of the Railroad Re-*
 14 *irement Act of 1974 (45 U.S.C. 231c(g)) was*
 15 *computed under such section, as amended by the*
 16 *Omnibus Budget Reconciliation Act of 1981*
 17 *(Public Law 97–35; 95 Stat. 357).*

18 *(2) SPECIAL RULE FOR ANNUITIES AWARDED BE-*
 19 *FORE THE EFFECTIVE DATE.—In applying the*
 20 *amendment made by this section to annuities award-*
 21 *ed before the effective date, the calculation of the ini-*
 22 *tial minimum amount under new section 4(g)(10)(ii)*
 23 *of the Railroad Retirement Act of 1974 (45 U.S.C.*
 24 *231c(g)(10)(ii)), as added by subsection (a), shall be*

1 *made as of the date of the award of the widow's or*
 2 *widower's annuity.*

3 **SEC. 102. RETIREMENT AGE RESTORATION.**

4 (a) *EMPLOYEE ANNUITIES.*—Section 3(a)(2) of the
 5 *Railroad Retirement Act of 1974 (45 U.S.C. 231b(a)(2)) is*
 6 *amended by inserting after “(2)” the following new sen-*
 7 *tence: “For purposes of this subsection, individuals entitled*
 8 *to an annuity under section 2(a)(1)(ii) of this Act shall,*
 9 *except for the purposes of recomputations in accordance*
 10 *with section 215(f) of the Social Security Act, be deemed*
 11 *to have attained retirement age (as defined by section 216(l)*
 12 *of the Social Security Act).”.*

13 (b) *SPOUSE AND SURVIVOR ANNUITIES.*—Section
 14 *4(a)(2) of the Railroad Retirement Act of 1974 (45 U.S.C.*
 15 *231c(a)(2)) is amended by striking “if an” and all that*
 16 *follows through “section 2(c)(1) of this Act” and inserting*
 17 *“a spouse entitled to an annuity under section*
 18 *2(c)(1)(ii)(B) of this Act”.*

19 (c) *CONFORMING REPEALS.*—Sections 3(a)(3), 4(a)(3),
 20 *and 4(a)(4) of the Railroad Retirement Act of 1974 (45*
 21 *U.S.C. 231b(a)(3), 231c(a)(3), and 231c(a)(4)) are re-*
 22 *pealed.*

23 (d) *EFFECTIVE DATES.*—

24 (1) *GENERALLY.*—*Except as provided in para-*
 25 *graph (2), the amendments made by this section shall*

1 *apply to annuities that begin to accrue on or after*
 2 *January 1, 2002.*

3 (2) *EXCEPTION.—The amount of the annuity*
 4 *provided for a spouse under section 4(a) of the Rail-*
 5 *road Retirement Act of 1974 (45 U.S.C. 231c(a))*
 6 *shall be computed under section 4(a)(3) of such Act,*
 7 *as in effect on December 31, 2001, if the annuity*
 8 *amount provided under section 3(a) of such Act (45*
 9 *U.S.C. 231b(a)) for the individual on whose employ-*
 10 *ment record the spouse annuity is based was com-*
 11 *puted under section 3(a)(3) of such Act, as in effect*
 12 *on December 31, 2001.*

13 **SEC. 103. VESTING REQUIREMENT.**

14 (a) *CERTAIN ANNUITIES FOR INDIVIDUALS.—Section*
 15 *2(a) of the Railroad Retirement Act of 1974 (45 U.S.C.*
 16 *231a(a)) is amended—*

17 (1) *by inserting in subdivision (1) “(or, for pur-*
 18 *poses of paragraphs (i), (iii), and (v), five years of*
 19 *service, all of which accrues after December 31,*
 20 *1995)” after “ten years of service”; and*

21 (2) *by adding at the end the following new sub-*
 22 *division:*

23 *“(4) An individual who is entitled to an annuity*
 24 *under paragraph (v) of subdivision (1), but who does not*
 25 *have at least ten years of service, shall, prior to the month*

1 *in which the individual attains age 62, be entitled only to*
 2 *an annuity amount computed under section 3(a) of this Act*
 3 *(without regard to section 3(a)(2) of this Act) or section*
 4 *3(f)(3) of this Act. Upon attainment of age 62, such an in-*
 5 *dividual may also be entitled to an annuity amount com-*
 6 *puted under section 3(b), but such annuity amount shall*
 7 *be reduced for early retirement in the same manner as if*
 8 *the individual were entitled to an annuity under section*
 9 *2(a)(1)(iii).”.*

10 *(b) COMPUTATION RULE FOR INDIVIDUALS’ ANNU-*
 11 *ITIES.—Section 3(a) of the Railroad Retirement Act of*
 12 *1974 (45 U.S.C. 231b(a)), as amended by section 102 of*
 13 *this Act, is further amended by adding at the end the fol-*
 14 *lowing new subdivision:*

15 *“(3) If an individual entitled to an annuity under sec-*
 16 *tion 2(a)(1)(i) or (iii) of this Act on the basis of less than*
 17 *ten years of service is entitled to a benefit under section*
 18 *202(a), section 202(b), or section 202(c) of the Social Secu-*
 19 *rity Act which began to accrue before the annuity under*
 20 *section 2(a)(1)(i) or (iii) of this Act, the annuity amount*
 21 *provided such individual under this subsection, shall be*
 22 *computed as though the annuity under this Act began to*
 23 *accrue on the later of (A) the date on which the benefit*
 24 *under section 202(a), section 202(b), or section 202(c) of*
 25 *the Social Security Act began, or (B) the date on which*

1 *the individual first met the conditions for entitlement to*
 2 *an age reduced annuity under this Act other than the condi-*
 3 *tions set forth in sections 2(e)(1) and 2(e)(2) of this Act*
 4 *and the requirement that an application be filed.”.*

5 (c) *SURVIVORS’ ANNUITIES.*—Section 2(d)(1) of the
 6 *Railroad Retirement Act of 1974 (45 U.S.C. 231a(d)(1))*
 7 *is amended by inserting “(or five years of service, all of*
 8 *which accrues after December 31, 1995)” after “ten years*
 9 *of service”.*

10 (d) *LIMITATION ON ANNUITY AMOUNTS.*—Section 2 of
 11 *the Railroad Retirement Act of 1974 (45 U.S.C. 231a) is*
 12 *amended by adding at the end the following new subsection:*

13 “(i) *An individual entitled to an annuity under this*
 14 *section who has completed five years of service, all of which*
 15 *accrues after 1995, but who has not completed ten years*
 16 *of service, and the spouse, divorced spouse, and survivors*
 17 *of such individual, shall not be entitled to an annuity*
 18 *amount provided under section 3(a), section 4(a), or section*
 19 *4(f) of this Act unless the individual, or the individual’s*
 20 *spouse, divorced spouse, or survivors, would be entitled to*
 21 *a benefit under title II of the Social Security Act on the*
 22 *basis of the individual’s employment record under both this*
 23 *Act and title II of the Social Security Act.”.*

24 (e) *COMPUTATION RULE FOR SPOUSES’ ANNUITIES.*—
 25 *Section 4(a) of the Railroad Retirement Act of 1974 (45*

1 U.S.C. 231c(a)), as amended by section 102 of this Act, is
2 further amended by adding at the end the following new
3 subdivision:

4 “(3) If a spouse entitled to an annuity under section
5 2(c)(1)(ii)(A), section 2(c)(1)(ii)(C), or section 2(c)(2) of
6 this Act or a divorced spouse entitled to an annuity under
7 section 2(c)(4) of this Act on the basis of the employment
8 record of an employee who will have completed less than
9 10 years of service is entitled to a benefit under section
10 202(a), section 202(b), or section 202(c) of the Social Secu-
11 rity Act which began to accrue before the annuity under
12 section 2(c)(1)(ii)(A), section 2(c)(1)(ii)(C), section 2(c)(2),
13 or section 2(c)(4) of this Act, the annuity amount provided
14 under this subsection shall be computed as though the annu-
15 ity under this Act began to accrue on the later of (A) the
16 date on which the benefit under section 202(a), section
17 202(b), or section 202(c) of the Social Security Act began
18 or (B) the first date on which the annuitant met the condi-
19 tions for entitlement to an age reduced annuity under this
20 Act other than the conditions set forth in sections 2(e)(1)
21 and 2(e)(2) of this Act and the requirement that an applica-
22 tion be filed.”.

23 (f) APPLICATION DEEMING PROVISION.—Section 5(b)
24 of the Railroad Retirement Act of 1974 (45 U.S.C. 231d(b))
25 is amended by striking the second sentence and inserting

1 the following new sentence: “An application filed with the
 2 Board for an employee annuity, spouse annuity, or di-
 3 vorced spouse annuity on the basis of the employment
 4 record of an employee who will have completed less than
 5 ten years of service shall be deemed to be an application
 6 for any benefit to which such applicant may be entitled
 7 under this Act or section 202(a), section 202(b), or section
 8 202(c) of the Social Security Act. An application filed with
 9 the Board for an annuity on the basis of the employment
 10 record of an employee who will have completed ten years
 11 of service shall, unless the applicant specified otherwise, be
 12 deemed to be an application for any benefit to which such
 13 applicant may be entitled under this Act or title II of the
 14 Social Security Act.”.

15 (g) CREDITING SERVICE UNDER THE SOCIAL SECU-
 16 RITY ACT.—Section 18(2) of the Railroad Retirement Act
 17 of 1974 (45 U.S.C. 231q(2)) is amended—

18 (1) by inserting “(or less than five years of serv-
 19 ice, all of which accrues after December 31, 1995)”
 20 after “ten years of service” every place it appears;
 21 and

22 (2) by inserting “(or five or more years of serv-
 23 ice, all of which accrues after December 31, 1995)”
 24 after “ten or more years of service”.

1 (h) *AUTOMATIC BENEFIT ELIGIBILITY ADJUST-*
 2 *MENTS.—Section 19 of the Railroad Retirement Act of 1974*
 3 *(45 U.S.C. 231r) is amended—*

4 (1) *by inserting “(or five or more years of serv-*
 5 *ice, all of which accrues after December 31, 1995)”*
 6 *after “ten years of service” in subsection (c); and*

7 (2) *by inserting “(or five or more years of serv-*
 8 *ice, all of which accrues after December 31, 1995)”*
 9 *after “ten years of service” in subsection (d)(2).*

10 (i) *CONFORMING AMENDMENTS.—*

11 (1) *Section 6(e)(1) of the Railroad Retirement*
 12 *Act of 1974 (45 U.S.C. 231e(1)) is amended by insert-*
 13 *ing “(or five or more years of service, all of which ac-*
 14 *crues after December 31, 1995)” after “ten years of*
 15 *service”.*

16 (2) *Section 7(b)(2)(A) of the Railroad Retire-*
 17 *ment Act of 1974 (45 U.S.C. 231f(b)(2)(A)) is amend-*
 18 *ed by inserting “(or five or more years of service, all*
 19 *of which accrues after December 31, 1995)” after “ten*
 20 *years of service”.*

21 (3) *Section 205(i) of the Social Security Act (42*
 22 *U.S.C. 405(i)) is amended by inserting “(or five or*
 23 *more years of service, all of which accrues after De-*
 24 *cember 31, 1995)” after “ten years of service”.*

1 (4) *Section 6(b)(2) of the Railroad Retirement*
 2 *Act of 1974 (45 U.S.C. 231e(b)(2)) is amended by in-*
 3 *serting “(or five or more years of service, all of which*
 4 *accrues after December 31, 1995)” after “ten years of*
 5 *service” the second place it appears.*

6 (j) *EFFECTIVE DATE.—The amendments made by this*
 7 *section shall take effect on January 1, 2002.*

8 **SEC. 104. REPEAL OF RAILROAD RETIREMENT MAXIMUM.**

9 (a) *EMPLOYEE ANNUITIES.—*

10 (1) *IN GENERAL.—Section 3(f) of the Railroad*
 11 *Retirement Act of 1974 (45 U.S.C. 231b(f)) is*
 12 *amended—*

13 (A) *by striking subdivision (1); and*

14 (B) *by redesignating subdivisions (2) and*
 15 *(3) as subdivisions (1) and (2), respectively.*

16 (2) *CONFORMING AMENDMENTS.—*

17 (A) *The first sentence of section 3(f)(1) of*
 18 *the Railroad Retirement Act of 1974 (45 U.S.C.*
 19 *231b(f)(1)), as redesignated by paragraph*
 20 *(1)(B), is amended by striking “, without regard*
 21 *to the provisions of subdivision (1) of this sub-*
 22 *section,”.*

23 (B) *Paragraphs (i) and (ii) of section*
 24 *7(d)(2) of the Railroad Retirement Act of 1974*
 25 *(45 U.S.C. 231f(d)(2)) are each amended by*

1 *striking “section 3(f)(3)” and inserting “section*
 2 *3(f)(2)”.*

3 **(b) SPOUSE AND SURVIVOR ANNUITIES.**—*Section 4 of*
 4 *the Railroad Retirement Act of 1974 (45 U.S.C. 231c) is*
 5 *amended by striking subsection (c).*

6 **(c) EFFECTIVE DATE.**—*The amendments made by this*
 7 *section shall take effect on January 1, 2002, and shall apply*
 8 *to annuity amounts accruing for months after December*
 9 *2001.*

10 **SEC. 105. INVESTMENT OF RAILROAD RETIREMENT ASSETS.**

11 **(a) ESTABLISHMENT OF RAILROAD RETIREMENT IN-**
 12 **VESTMENT TRUST.**—*Section 15 of the Railroad Retirement*
 13 *Act of 1974 (45 U.S.C. 231n) is amended by inserting after*
 14 *subsection (i) the following new subsection:*

15 **“(j) RAILROAD RETIREMENT INVESTMENT TRUST.—**

16 **“(1) ESTABLISHMENT.**—*The Railroad Retire-*
 17 *ment Investment Trust (hereinafter in this subsection*
 18 *referred to as the ‘Trust’) is hereby established as a*
 19 *trust domiciled in the District of Columbia and shall,*
 20 *to the extent not inconsistent with this Act, be subject*
 21 *to the laws of the District of Columbia applicable to*
 22 *such trusts. The Trust shall manage and invest its as-*
 23 *sets in the manner set forth in this subsection.*

24 **“(2) NOT A FEDERAL AGENCY OR INSTRUMEN-**
 25 **TALITY.**—*The Trust is not a department, agency, or*

1 *instrumentality of the Government of the United*
2 *States and shall not be subject to title 31, United*
3 *States Code.*

4 “(3) *BOARD OF TRUSTEES.—*

5 “(A) *GENERALLY.—The Trust shall have a*
6 *Board of Trustees, consisting of 7 members, each*
7 *appointed by a unanimous vote of the Railroad*
8 *Retirement Board. The Railroad Retirement*
9 *Board may remove any member so appointed by*
10 *unanimous vote. Of the members, 3 shall rep-*
11 *resent the interests of labor, 3 shall represent the*
12 *interests of management, and 1 shall represent*
13 *the interests of the general public. The members*
14 *of the Board of Trustees shall not be considered*
15 *officers or employees of the Government of the*
16 *United States.*

17 “(B) *QUALIFICATIONS.—Members of the*
18 *Board of Trustees shall be appointed only from*
19 *among persons who have experience and exper-*
20 *tise in the management of financial investments*
21 *and pension plans. No member of the Railroad*
22 *Retirement Board shall be eligible to be a mem-*
23 *ber of the Board of Trustees.*

24 “(C) *TERMS.—Except as provided in this*
25 *subparagraph, each member shall be appointed*

1 *for a 3-year term. The initial members ap-*
2 *pointed under this paragraph shall be divided*
3 *into equal groups so nearly as may be, of which*
4 *one group will be appointed for a 1-year term,*
5 *one for a 2-year term, and one for a 3-year term.*
6 *A vacancy in the Board of Trustees shall not af-*
7 *fect the powers of the Board of Trustees and shall*
8 *be filled in the same manner as the selection of*
9 *the member whose departure caused the vacancy.*
10 *Upon the expiration of a term of a member of*
11 *the Board of Trustees, that member shall con-*
12 *tinue to serve until a successor is appointed.*

13 “(4) *POWERS OF THE BOARD OF TRUSTEES.—*
14 *The Board of Trustees shall—*

15 “(A) *retain independent advisers to assist it*
16 *in the formulation and adoption of its invest-*
17 *ment guidelines;*

18 “(B) *retain independent investment man-*
19 *agers to invest the assets of the Trust in a man-*
20 *ner consistent with such investment guidelines;*

21 “(C) *invest assets in the Trust, pursuant to*
22 *the policies adopted in subparagraph (A);*

23 “(D) *pay administrative expenses of the*
24 *Trust from the assets in the Trust; and*

1 “(E) transfer money to the disbursing agent
 2 or as otherwise provided in section 7(b)(4), to
 3 pay benefits payable under this Act from the as-
 4 sets of the Trust.

5 “(5) *REPORTING REQUIREMENTS AND FIDUCIARY*
 6 *STANDARDS.*—The following reporting requirements
 7 and fiduciary standards shall apply with respect to
 8 the Trust:

9 “(A) *DUTIES OF THE BOARD OF TRUST-*
 10 *EES.*—The Trust and each member of the Board
 11 of Trustees shall discharge their duties with re-
 12 spect to the assets of the Trust solely in the inter-
 13 est of the Railroad Retirement Board and
 14 through it, the participants and beneficiaries of
 15 the programs funded under this Act—

16 “(i) for the exclusive purpose of—

17 “(I) providing benefits to partici-
 18 pants and their beneficiaries; and

19 “(II) defraying reasonable ex-
 20 penses of administering the functions
 21 of the Trust;

22 “(ii) with the care, skill, prudence, and
 23 diligence under the circumstances then pre-
 24 vailing that a prudent person acting in a
 25 like capacity and familiar with such mat-

1 *ters would use in the conduct of an enter-*
 2 *prise of a like character and with like aims;*

3 *“(iii) by diversifying investments so as*
 4 *to minimize the risk of large losses, unless*
 5 *under the circumstances it is clearly pru-*
 6 *dent not to do so; and*

7 *“(iv) in accordance with Trust gov-*
 8 *erning documents and instruments insofar*
 9 *as such documents and instruments are con-*
 10 *sistent with this Act.*

11 *“(B) PROHIBITIONS WITH RESPECT TO*
 12 *MEMBERS OF THE BOARD OF TRUSTEES.—No*
 13 *member of the Board of Trustees shall—*

14 *“(i) deal with the assets of the Trust in*
 15 *the trustee’s own interest or for the trustee’s*
 16 *own account;*

17 *“(ii) in an individual or in any other*
 18 *capacity act in any transaction involving*
 19 *the assets of the Trust on behalf of a party*
 20 *(or represent a party) whose interests are*
 21 *adverse to the interests of the Trust, the*
 22 *Railroad Retirement Board, or the interests*
 23 *of participants or beneficiaries; or*

1 “(iii) receive any consideration for the
2 trustee’s own personal account from any
3 party dealing with the assets of the Trust.

4 “(C) *EXCULPATORY PROVISIONS AND INSUR-*
5 *ANCE.—Any provision in an agreement or in-*
6 *strument that purports to relieve a trustee from*
7 *responsibility or liability for any responsibility,*
8 *obligation, or duty under this Act shall be void:*
9 *Provided, however, That nothing shall*
10 *preclude—*

11 “(i) the Trust from purchasing insur-
12 ance for its trustees or for itself to cover li-
13 ability or losses occurring by reason of the
14 act or omission of a trustee, if such insur-
15 ance permits recourse by the insurer against
16 the trustee in the case of a breach of a fidu-
17 ciary obligation by such trustee;

18 “(ii) a trustee from purchasing insur-
19 ance to cover liability under this section
20 from and for his own account; or

21 “(iii) an employer or an employee or-
22 ganization from purchasing insurance to
23 cover potential liability of one or more
24 trustees with respect to their fiduciary re-

1 *sponsibilities, obligations, and duties under*
2 *this section.*

3 “(D) *BONDING.—Every trustee and every*
4 *person who handles funds or other property of*
5 *the Trust (hereafter in this subsection referred to*
6 *as ‘Trust official’) shall be bonded. Such bond*
7 *shall provide protection to the Trust against loss*
8 *by reason of acts of fraud or dishonesty on the*
9 *part of any Trust official, directly or through the*
10 *connivance of others, and shall be in accordance*
11 *with the following:*

12 “(i) *The amount of such bond shall be*
13 *fixed at the beginning of each fiscal year of*
14 *the Trust by the Railroad Retirement*
15 *Board. Such amount shall not be less than*
16 *10 percent of the amount of the funds han-*
17 *dled. In no case shall such bond be less than*
18 *\$1,000 nor more than \$500,000, except that*
19 *the Railroad Retirement Board, after con-*
20 *sideration of the record, may prescribe an*
21 *amount in excess of \$500,000, subject to the*
22 *10 per centum limitation of the preceding*
23 *sentence.*

24 “(ii) *It shall be unlawful for any Trust*
25 *official to receive, handle, disburse, or other-*

1 *wise exercise custody or control of any of*
2 *the funds or other property of the Trust*
3 *without being bonded as required by this*
4 *subsection and it shall be unlawful for any*
5 *Trust official, or any other person having*
6 *authority to direct the performance of such*
7 *functions, to permit such functions, or any*
8 *of them, to be performed by any Trust offi-*
9 *cial, with respect to whom the requirements*
10 *of this subsection have not been met.*

11 “(iii) *It shall be unlawful for any per-*
12 *son to procure any bond required by this*
13 *subsection from any surety or other com-*
14 *pany or through any agent or broker in*
15 *whose business operations such person has*
16 *any control or significant financial interest,*
17 *direct or indirect.*

18 “(E) *AUDIT AND REPORT.—*

19 “(i) *The Trust shall annually engage*
20 *an independent qualified public accountant*
21 *to audit the financial statements of the*
22 *Trust.*

23 “(ii) *The Trust shall submit an annual*
24 *management report to the Congress not*
25 *later than 180 days after the end of the*

1 *Trust’s fiscal year. A management report*
2 *under this subsection shall include—*

3 “(I) *a statement of financial posi-*
4 *tion;*

5 “(II) *a statement of operations;*

6 “(III) *a statement of cash flows;*

7 “(IV) *a statement on internal ac-*
8 *counting and administrative control*
9 *systems;*

10 “(V) *the report resulting from an*
11 *audit of the financial statements of the*
12 *Trust conducted under clause (i); and*

13 “(VI) *any other comments and in-*
14 *formation necessary to inform the Con-*
15 *gress about the operations and finan-*
16 *cial condition of the Trust.*

17 “(iii) *The Trust shall provide the*
18 *President, the Railroad Retirement Board,*
19 *and the Director of the Office of Manage-*
20 *ment and Budget a copy of the management*
21 *report when it is submitted to Congress.*

22 “(F) *ENFORCEMENT.—The Railroad Retire-*
23 *ment Board may bring a civil action—*

24 “(i) *to enjoin any act or practice by*
25 *the Trust, its Board of Trustees, or its em-*

1 *ployees or agents that violates any provi-*
 2 *sion of this Act; or*

3 *“(ii) to obtain other appropriate relief*
 4 *to redress such violations, or to enforce any*
 5 *provisions of this Act.*

6 *“(6) APPLICATION OF FIDUCIARY STANDARDS TO*
 7 *RAILROAD RETIREMENT BOARD.—*

8 *“(A) IN GENERAL.—The provisions of para-*
 9 *graph (5)(A) shall apply to the members of the*
 10 *Railroad Retirement Board in the discharge of*
 11 *their duty to appoint the members of the Board*
 12 *of Trustees under paragraph (3)(A) in the same*
 13 *manner as such provisions apply to the members*
 14 *of the Board of Trustees.*

15 *“(B) ENFORCEMENT.—For purposes of this*
 16 *paragraph, the provisions of paragraph (5)(F)*
 17 *shall apply by substituting ‘the Secretary of*
 18 *Labor’ for ‘the Railroad Retirement Board’.*

19 *“(7) RULES AND ADMINISTRATIVE POWERS.—*
 20 *The Board of Trustees shall have the authority to*
 21 *make rules to govern its operations, employ profes-*
 22 *sional staff, and contract with outside advisers, in-*
 23 *cluding the Railroad Retirement Board, to provide*
 24 *legal, accounting, investment advisory, or other serv-*
 25 *ices necessary for the proper administration of this*

1 subsection. In the case of contracts with investment
 2 advisory services, compensation for such services may
 3 be on a fixed contract fee basis or on such other terms
 4 and conditions as are customary for such services.

5 “(8) *QUORUM.*—Five members of the Board of
 6 Trustees constitute a quorum to do business. Invest-
 7 ment guidelines must be adopted by a unanimous vote
 8 of the entire Board of Trustees. All other decisions of
 9 the Board of Trustees shall be decided by a majority
 10 vote of the quorum present. All decisions of the Board
 11 of Trustees shall be entered upon the records of the
 12 Board of Trustees.

13 “(9) *FUNDING.*—The expenses of the Trust and
 14 the Board of Trustees incurred under this subsection
 15 shall be paid from the Trust.”.

16 (b) *CONFORMING AND TECHNICAL AMENDMENTS GOV-*
 17 *ERNING INVESTMENTS.*—Subsection 15(e) of the Railroad
 18 Retirement Act of 1974 (45 U.S.C. 231n(e)) is amended—

19 (1) in the first sentence, by striking “, the Dual
 20 Benefits Payments Account” and all that follows
 21 through “may be made only” in the second sentence
 22 and inserting “and the Dual Benefits Payments Ac-
 23 count as are not transferred to the Railroad Retire-
 24 ment Investment Trust as the Board may determine”;

1 (2) by striking “the Second Liberty Bond Act, as
 2 amended” and inserting “chapter 31 of title 31”; and
 3 (3) by striking “the foregoing requirements” and
 4 inserting “the requirements of this subsection”.

5 (c) *EFFECTIVE DATE.*—The amendments made by this
 6 section shall take effect on the first day of the month that
 7 begins more than 30 days after enactment.

8 **SEC. 106. ELIMINATION OF SUPPLEMENTAL ANNUITY AC-**
 9 **COUNT.**

10 (a) *SOURCE OF PAYMENTS.*—Section 7(c)(1) of the
 11 Railroad Retirement Act of 1974 (45 U.S.C. 231f(c)(1)) is
 12 amended by striking “payments of supplemental annuities
 13 under section 2(b) of this Act shall be made from the Rail-
 14 road Retirement Supplemental Account, and”.

15 (b) *ELIMINATION OF ACCOUNT.*—Section 15(c) of the
 16 Railroad Retirement Act of 1974 (45 U.S.C. 231n(c)) is re-
 17 pealed.

18 (c) *AMENDMENT TO RAILROAD RETIREMENT AC-*
 19 *COUNT.*—Section 15(a) of the Railroad Retirement Act of
 20 1974 (45 U.S.C. 231n(a)) is amended by striking “, except
 21 those portions of the amounts covered into the Treasury
 22 under sections 3211(b),” and all that follows through the
 23 end of the subsection and inserting a period.

24 (d) *TRANSFER.*—

1 (1) *DETERMINATION.*—As soon as possible after
 2 December 31, 2001, the Railroad Retirement Board
 3 shall—

4 (A) determine the amount of funds in the
 5 Railroad Retirement Supplemental Account
 6 under section 15(c) of the Railroad Retirement
 7 Act of 1974 (45 U.S.C. 231n(c)) as of the date
 8 of such determination; and

9 (B) direct the Secretary of the Treasury to
 10 transfer such funds to the Railroad Retirement
 11 Investment Trust under section 15(j) of such Act
 12 (as added by section 105).

13 (2) *TRANSFER BY THE SECRETARY OF THE*
 14 *TREASURY.*—The Secretary of the Treasury shall
 15 make the transfer described in paragraph (1).

16 (e) *EFFECTIVE DATE.*—

17 (1) *IN GENERAL.*—Subject to paragraph (2), the
 18 amendments made by subsections (a), (b), and (c)
 19 shall take effect January 1, 2002.

20 (2) *ACCOUNT IN EXISTENCE UNTIL TRANSFER*
 21 *MADE.*—The Railroad Retirement Supplemental Ac-
 22 count under section 15(c) of the Railroad Retirement
 23 Act of 1974 (45 U.S.C. 231n(c)) shall continue to
 24 exist until the date that the Secretary of the Treasury
 25 makes the transfer described in subsection (d)(2).

1 **SEC. 107. TRANSFER AUTHORITY REVISIONS.**

2 (a) *RAILROAD RETIREMENT ACCOUNT*.—Section 15 of
3 *the Railroad Retirement Act of 1974 (45 U.S.C. 231n)* is
4 *amended by adding after subsection (j) the following new*
5 *subsection:*

6 “(k) *TRANSFERS TO THE TRUST*.—The Board shall,
7 *upon establishment of the Railroad Retirement Investment*
8 *Trust and from time to time thereafter, direct the Secretary*
9 *of the Treasury to transfer, in such manner as will maxi-*
10 *mize the investment returns to the Railroad Retirement sys-*
11 *tem, that portion of the Railroad Retirement Account that*
12 *is not needed to pay current administrative expenses of the*
13 *Board to the Railroad Retirement Investment Trust. The*
14 *Secretary shall make that transfer.”.*

15 (b) *TRANSFERS FROM THE RAILROAD RETIREMENT*
16 *INVESTMENT TRUST*.—Section 15 of the *Railroad Retire-*
17 *ment Act of 1974 (45 U.S.C. 231n)*, as amended by sub-
18 *section (a)*, is further amended by adding after subsection
19 *(k) the following new subsection:*

20 “(l) *RAILROAD RETIREMENT INVESTMENT TRUST*.—
21 *The Railroad Retirement Investment Trust shall from time*
22 *to time transfer to the disbursing agent described in section*
23 *7(b)(4) or as otherwise directed by the Railroad Retirement*
24 *Board pursuant to section 7(b)(4), such amounts as may*
25 *be necessary to pay benefits under this Act (other than bene-*

1 *fits paid from the Social Security Equivalent Benefit Ac-*
 2 *count or the Dual Benefit Payments Account).”.*

3 (c) SOCIAL SECURITY EQUIVALENT BENEFIT AC-
 4 COUNT.—

5 (1) TRANSFERS TO TRUST.—Section 15A(d)(2) of
 6 the Railroad Retirement Act of 1974 (45 U.S.C.
 7 231n–1(d)(2)) is amended to read as follows:

8 “(2) Upon establishment of the Railroad Retirement
 9 Investment Trust and from time to time thereafter, the
 10 Board shall direct the Secretary of the Treasury to transfer,
 11 in such manner as will maximize the investment returns
 12 to the Railroad Retirement system, the balance of the Social
 13 Security Equivalent Benefit Account not needed to pay cur-
 14 rent benefits and administrative expenses required to be
 15 paid from that Account to the Railroad Retirement Invest-
 16 ment Trust, and the Secretary shall make that transfer.
 17 Any balance transferred under this paragraph shall be used
 18 by the Railroad Retirement Investment Trust only to pay
 19 benefits under this Act or to purchase obligations of the
 20 United States that are backed by the full faith and credit
 21 of the United States pursuant to chapter 31 of title 31,
 22 United States Code. The proceeds of sales of, and the inter-
 23 est income from, such obligations shall be used by the Trust
 24 only to pay benefits under this Act.”.

1 (2) *TRANSFERS TO DISBURSING AGENT.*—Section
 2 15A(c)(1) of the *Railroad Retirement Act of 1974* (45
 3 U.S.C. 231n–1(c)(1)) is amended by adding at the
 4 end the following new sentence: “The Secretary shall
 5 from time to time transfer to the disbursing agent
 6 under section 7(b)(4) amounts necessary to pay those
 7 benefits.”.

8 (3) *CONFORMING AMENDMENT.*—Section
 9 15A(d)(1) of the *Railroad Retirement Act of 1974* (45
 10 U.S.C. 231n–1(d)(1)) is amended by striking the sec-
 11 ond and third sentences.

12 (d) *DUAL BENEFITS PAYMENTS ACCOUNT.*—Section
 13 15(d)(1) of the *Railroad Retirement Act of 1974* (45 U.S.C.
 14 231n(d)(1)) is amended by adding at the end the following
 15 new sentence: “The Secretary of the Treasury shall from
 16 time to time transfer from the Dual Benefits Payments Ac-
 17 count to the disbursing agent under section 7(b)(4) amounts
 18 necessary to pay benefits payable from that Account.”.

19 (e) *CERTIFICATION BY THE BOARD AND PAYMENT.*—
 20 Paragraph (4) of section 7(b) of the *Railroad Retirement*
 21 *Act of 1974* (45 U.S.C. 231f(b)(4)) is amended to read as
 22 follows:

23 “(4)(A) The *Railroad Retirement Board*, after con-
 24 sultation with the Board of Trustees of the *Railroad Retire-*
 25 ment Investment Trust and the Secretary of the Treasury,

1 *shall enter into an arrangement with a nongovernmental*
2 *financial institution to serve as disbursing agent for bene-*
3 *fits payable under this Act who shall disburse consolidated*
4 *benefits under this Act to each recipient. Pending the taking*
5 *effect of that arrangement, benefits shall be paid as under*
6 *the law in effect prior to the enactment of the Railroad Re-*
7 *tirement and Survivors' Improvement Act of 2001.*

8 “(B) *The Board shall from time to time certify—*

9 “(i) *to the Secretary of the Treasury the amounts*
10 *required to be transferred from the Social Security*
11 *Equivalent Benefit Account and the Dual Benefits*
12 *Payments Account to the disbursing agent to make*
13 *payments of benefits and the Secretary of the Treas-*
14 *ury shall transfer those amounts;*

15 “(ii) *to the Board of Trustees of the Railroad Re-*
16 *retirement Investment Trust the amounts required to be*
17 *transferred from the Railroad Retirement Investment*
18 *Trust to the disbursing agent to make payments of*
19 *benefits and the Board of Trustees shall transfer those*
20 *amounts; and*

21 “(iii) *to the disbursing agent the name and ad-*
22 *dress of each individual entitled to receive a payment,*
23 *the amount of such payment, and the time at which*
24 *the payment should be made.”.*

1 (f) *BENEFIT PAYMENTS.*—Section 7(c)(1) of the Rail-
 2 road Retirement Act of 1974 (45 U.S.C. 231f(c)(1)) is
 3 amended—

4 (1) by striking “from the Railroad Retirement
 5 Account” and inserting “by the disbursing agent
 6 under subsection (b)(4) from money transferred to it
 7 from the Railroad Retirement Investment Trust or the
 8 Social Security Equivalent Benefit Account, as the
 9 case may be”; and

10 (2) by inserting “by the disbursing agent under
 11 subsection (b)(4) from money transferred to it” after
 12 “Public Law 93–445 shall be made”.

13 (g) *TRANSITIONAL RULE FOR EXISTING OBLIGA-*
 14 *TION.*—In making transfers under sections 15(k) and
 15 15A(d)(2) of the Railroad Retirement Act of 1974, as
 16 amended by subsections (a) and (c), respectively, the Rail-
 17 road Retirement Board shall consult with the Secretary of
 18 the Treasury to design an appropriate method to transfer
 19 obligations held as of the date of enactment of this Act or
 20 to convert such obligations to cash at the discretion of the
 21 Railroad Retirement Board prior to transfer. The Railroad
 22 Retirement Investment Trust may hold to maturity any ob-
 23 ligations so received or may redeem them prior to maturity,
 24 as the Trust deems appropriate.

1 **SEC. 108. ANNUAL RATIO PROJECTIONS AND CERTIFI-**
 2 **CATIONS BY THE RAILROAD RETIREMENT**
 3 **BOARD.**

4 (a) *PROJECTIONS.*—Section 22(a)(1) of the Railroad
 5 Retirement Act of 1974 (45 U.S.C. 231u(a)(1)) is
 6 amended—

7 (1) by inserting after the first sentence the fol-
 8 lowing new sentence: “On or before May 1 of each
 9 year beginning in 2003, the Railroad Retirement
 10 Board shall compute its projection of the account ben-
 11 efits ratio and the average account benefits ratio (as
 12 defined by section 3241(c) of the Internal Revenue
 13 Code of 1986) for each of the next succeeding five fis-
 14 cal years.”; and

15 (2) by striking “the projection prepared pursu-
 16 ant to the preceding sentence” and inserting “the pro-
 17 jections prepared pursuant to the preceding two sen-
 18 tences”.

19 (b) *CERTIFICATIONS.*—The Railroad Retirement Act of
 20 1974 (45 U.S.C. 231 et seq.) is amended by adding at the
 21 end the following new section:

22 “COMPUTATION AND CERTIFICATION OF ACCOUNT BENEFIT
 23 RATIOS

24 “SEC. 23. (a) *INITIAL COMPUTATION AND CERTIFI-*
 25 *CATION.*—On or before November 1, 2003, the Railroad Re-
 26 tirement Board shall—

1 “(1) compute the account benefits ratios for each
2 of the most recent 10 preceding fiscal years, and

3 “(2) certify the account benefits ratios for each
4 such fiscal year to the Secretary of the Treasury.

5 “(b) COMPUTATIONS AND CERTIFICATIONS AFTER
6 2003.—On or before November 1 of each year after 2003,
7 the Railroad Retirement Board shall—

8 “(1) compute the account benefits ratio for the
9 fiscal year ending in such year, and

10 “(2) certify the account benefits ratio for such
11 fiscal year to the Secretary of the Treasury.

12 “(c) DEFINITION.—As used in this section, the term
13 ‘account benefits ratio’ has the meaning given that term in
14 section 3241(c) of the Internal Revenue Code of 1986.”.

15 **TITLE II—AMENDMENTS TO THE**
16 **INTERNAL REVENUE CODE OF**
17 **1986**

18 **SEC. 201. AMENDMENTS TO THE INTERNAL REVENUE CODE**
19 **OF 1986.**

20 *Except as otherwise provided, whenever in this title*
21 *an amendment or repeal is expressed in terms of an amend-*
22 *ment to, or repeal of, a section or other provision, the ref-*
23 *erence shall be considered to be made to a section or other*
24 *provision of the Internal Revenue Code of 1986.*

1 **SEC. 202. EXEMPTION FROM TAX FOR RAILROAD RETIRE-**
 2 **MENT INVESTMENT TRUST.**

3 *Subsection (c) of section 501 is amended by adding*
 4 *at the end the following new paragraph:*

5 *“(28) The Railroad Retirement Investment Trust*
 6 *established under section 15(j) of the Railroad Retire-*
 7 *ment Act of 1974.”.*

8 **SEC. 203. REPEAL OF SUPPLEMENTAL ANNUITY TAX.**

9 *(a) REPEAL OF TAX ON EMPLOYEE REPRESENTA-*
 10 *TIVES.—Section 3211 is amended by striking subsection (b).*

11 *(b) REPEAL OF TAX ON EMPLOYERS.—Section 3221*
 12 *is amended by striking subsections (c) and (d) and by redes-*
 13 *ignating subsection (e) as subsection (c).*

14 *(c) EFFECTIVE DATE.—The amendments made by this*
 15 *section shall apply to calendar years beginning after De-*
 16 *cember 31, 2001.*

17 **SEC. 204. EMPLOYER, EMPLOYEE REPRESENTATIVE, AND**
 18 **EMPLOYEE TIER 2 TAX RATE ADJUSTMENTS.**

19 *(a) RATE OF TAX ON EMPLOYERS.—Subsection (b) of*
 20 *section 3221 is amended to read as follows:*

21 *“(b) TIER 2 TAX.—*

22 *“(1) IN GENERAL.—In addition to other taxes,*
 23 *there is hereby imposed on every employer an excise*
 24 *tax, with respect to having individuals in his employ,*
 25 *equal to the applicable percentage of the compensation*

1 *paid during any calendar year by such employer for*
 2 *services rendered to such employer.*

3 “(2) *APPLICABLE PERCENTAGE.*—*For purposes*
 4 *of paragraph (1), the term ‘applicable percentage’*
 5 *means—*

6 “(A) *15.6 percent in the case of compensa-*
 7 *tion paid during 2002,*

8 “(B) *14.2 percent in the case of compensa-*
 9 *tion paid during 2003, and*

10 “(C) *in the case of compensation paid dur-*
 11 *ing any calendar year after 2003, the percentage*
 12 *determined under section 3241 for such calendar*
 13 *year.”.*

14 (b) *RATE OF TAX ON EMPLOYEE REPRESENTA-*
 15 *TIVES.*—*Section 3211, as amended by section 203, is*
 16 *amended by striking subsection (a) and inserting the fol-*
 17 *lowing new subsections:*

18 “(a) *TIER 1 TAX.*—*In addition to other taxes, there*
 19 *is hereby imposed on the income of each employee represent-*
 20 *ative a tax equal to the applicable percentage of the com-*
 21 *pensation received during any calendar year by such em-*
 22 *ployee representative for services rendered by such employee*
 23 *representative. For purposes of the preceding sentence, the*
 24 *term ‘applicable percentage’ means the percentage equal to*
 25 *the sum of the rates of tax in effect under subsections (a)*

1 *and (b) of section 3101 and subsections (a) and (b) of sec-*
 2 *tion 3111 for the calendar year.*

3 “(b) *TIER 2 TAX.*—

4 “(1) *IN GENERAL.*—*In addition to other taxes,*
 5 *there is hereby imposed on the income of each em-*
 6 *ployee representative a tax equal to the applicable*
 7 *percentage of the compensation received during any*
 8 *calendar year by such employee representatives for*
 9 *services rendered by such employee representative.*

10 “(2) *APPLICABLE PERCENTAGE.*—*For purposes*
 11 *of paragraph (1), the term ‘applicable percentage’*
 12 *means—*

13 “(A) *14.75 percent in the case of compensa-*
 14 *tion received during 2002,*

15 “(B) *14.20 percent in the case of compensa-*
 16 *tion received during 2003, and*

17 “(C) *in the case of compensation received*
 18 *during any calendar year after 2003, the per-*
 19 *centage determined under section 3241 for such*
 20 *calendar year.*

21 “(c) *CROSS REFERENCE.*—

***“For application of different contribution bases
 with respect to the taxes imposed by subsections (a)
 and (b), see section 3231(e)(2).”.***

22 (c) *RATE OF TAX ON EMPLOYEES.*—*Subsection (b) of*
 23 *section 3201 is amended to read as follows:*

24 “(b) *TIER 2 TAX.*—

1 “(1) *IN GENERAL.*—*In addition to other taxes,*
 2 *there is hereby imposed on the income of each em-*
 3 *ployee a tax equal to the applicable percentage of the*
 4 *compensation received during any calendar year by*
 5 *such employee for services rendered by such employee.*

6 “(2) *APPLICABLE PERCENTAGE.*—*For purposes*
 7 *of paragraph (1), the term ‘applicable percentage’*
 8 *means—*

9 “(A) *4.90 percent in the case of compensa-*
 10 *tion received during 2002 or 2003, and*

11 “(B) *in the case of compensation received*
 12 *during any calendar year after 2003, the per-*
 13 *centage determined under section 3241 for such*
 14 *calendar year.”.*

15 “(d) *DETERMINATION OF RATE.*—*Chapter 22 is amend-*
 16 *ed by adding at the end the following new subchapter:*

17 **“Subchapter E—Tier 2 Tax Rate**
 18 **Determination**

 “Sec. 3241. *Determination of tier 2 tax rate based on average ac-*
 count benefits ratio.

19 **“SEC. 3241. DETERMINATION OF TIER 2 TAX RATE BASED**
 20 **ON AVERAGE ACCOUNT BENEFITS RATIO.**

21 “(a) *IN GENERAL.*—*For purposes of sections 3201(b),*
 22 *3211(b), and 3221(b), the applicable percentage for any cal-*
 23 *endar year is the percentage determined in accordance with*
 24 *the table in subsection (b).*

1 “(b) *TAX RATE SCHEDULE.*—

<i>“Average account benefits ratio</i>		<i>Applicable per- centage for sec- tions 3211(b) and 3221(b)</i>	<i>Applicable per- centage for section 3201(b)</i>
<i>At least</i>	<i>But less than</i>		
	2.5	22.1	4.9
2.5	3.0	18.1	4.9
3.0	3.5	15.1	4.9
3.5	4.0	14.1	4.9
4.0	6.1	13.1	4.9
6.1	6.5	12.6	4.4
6.5	7.0	12.1	3.9
7.0	7.5	11.6	3.4
7.5	8.0	11.1	2.9
8.0	8.5	10.1	1.9
8.5	9.0	9.1	0.9
9.0		8.2	0

2 “(c) *DEFINITIONS RELATED TO DETERMINATION OF*
3 *RATES OF TAX.*—

4 “(1) *AVERAGE ACCOUNT BENEFITS RATIO.*—For
5 purposes of this section, the term ‘average account
6 benefits ratio’ means, with respect to any calendar
7 year, the average determined by the Secretary of the
8 account benefits ratios for the 10 most recent fiscal
9 years ending before such calendar year. If the amount
10 determined under the preceding sentence is not a mul-
11 tiple of 0.1, such amount shall be increased to the
12 next highest multiple of 0.1.

13 “(2) *ACCOUNT BENEFITS RATIO.*—For purposes
14 of this section, the term ‘account benefits ratio’
15 means, with respect to any fiscal year, the amount
16 determined by the Railroad Retirement Board by di-
17 viding the fair market value of the assets in the Rail-

1 *road Retirement Account and of the Railroad Retirement*
 2 *Investment Trust (and for years before 2002, the*
 3 *Social Security Equivalent Benefits Account) as of*
 4 *the close of such fiscal year by the total benefits and*
 5 *administrative expenses paid from the Railroad Retirement*
 6 *Account and the Railroad Retirement Investment*
 7 *Trust during such fiscal year.*

8 *“(d) NOTICE.—No later than December 1 of each cal-*
 9 *endar year, the Secretary shall publish a notice in the Fed-*
 10 *eral Register of the rates of tax determined under this sec-*
 11 *tion which are applicable for the following calendar year.”.*

12 *(e) CONFORMING AMENDMENTS.—*

13 *(1) Section 24(d)(3)(A)(iii) is amended by strik-*
 14 *ing “section 3211(a)(1)” and inserting “section*
 15 *3211(a)”.*

16 *(2) Section 72(r)(2)(B)(i) is amended by striking*
 17 *“3211(a)(2)” and inserting “3211(b)”.*

18 *(3) Paragraphs (2)(A)(iii)(II) and (4)(A) of sec-*
 19 *tion 3231(e) are amended by striking “3211(a)(1)”*
 20 *and inserting “3211(a)”.*

21 *(4) Section 3231(e)(2)(B)(ii)(I) is amended by*
 22 *striking “3211(a)(2)” and inserting “3211(b)”.*

23 *(5) The table of subchapters for chapter 22 is*
 24 *amended by adding at the end the following new item:*

“Subchapter E. Tier 2 tax rate determination.”.

1 (f) *EFFECTIVE DATE.*—*The amendments made by this*
2 *section shall apply to calendar years beginning after De-*
3 *cember 31, 2001.*

Union Calendar No. 77

107TH CONGRESS
1ST SESSION

H. R. 1140

[Report No. 107-82, Part I]

A BILL

To modernize the financing of the railroad retirement system and to provide enhanced benefits to employees and beneficiaries.

JULY 12, 2001

The Committee on Ways and Means discharged; committed to the Committee of the Whole House on the State of the Union and ordered to be printed